

Dear Colleagues,

Thank you for the opportunity to comment on the proposed rule concerning streamlining of the Section 523 Mutual and Self-Help Housing Program. We appreciate the partnership we have with USDA-RD and our mutual interest in expanding affordable housing for residents of rural America. It is in that spirit of cooperation that we submit the following comments for your consideration.

The Rural Alaska Community Action Program (RurAL CAP) is a large, diversified community action agency, serving the entire state of Alaska with services ranging from Head Start to wellness, to housing services. Although the agency was established in 1965, we are a relatively new entrant into the self-help housing program, and one of only two self-help grantees in Alaska. Presently, we have eight self-help units nearing completion, and ten more beginning construction this week.

Proposed NOFA Process. Construction in Alaska can be an adventure. Our very short building season, and the need to ship nearly all building materials from the Lower 48 mean that we have to be planning months in advance of a project's start. We have received numerous housing grants from the US Department of Housing & Urban Development over the years, each awarded through a NOFA system, and have enough experience to know that such a system is not a good idea for self-help housing. The current open application system allows us to fully plan our project, and to submit the application in anticipation of receipt of funds just in time for the start of the building season. In short – we control the timeline, which means we maximize our ability to perform in a timely and cost-effective manner. A NOFA system takes that bit of certainty away, and increases the likelihood of a project's missing the building season window and falling behind nine months or more. Building outdoors in the dark of winter, at temperatures below zero with homebuilders-in-training is a recipe for disaster.

On the surface, opening the 523 program up to a more competitive process might seem fair and equitable. However, it fails to consider the complexity of the program and the need for well-experienced grantees, as well as the cost-effectiveness of building a development pipeline. The primary purpose of the 523 program is to deliver affordable housing. Experienced grantees have invested years and often other funding to develop a program that is responsive to local conditions and needs. We plan years ahead for future projects, securing options on land, investing in infrastructure, cultivating homebuyers. A shift to a NOFA process will restrict us to planning one project at a time, and the uncertainty of funding will result in an inefficient “boom or bust” cycle, costing us the talents of skilled staff, the ability to secure favorable terms on advance site acquisition, and much time lost in marketing the program and recruiting homebuyers.

Finally, a NOFA process will likely result in a distribution of funding that does not necessarily direct funds to areas of greatest need. We urge USDA, if a NOFA process is put in place, to consider regional allocations and target populations when developing funding criteria and the timing of the NOFA.

Changing Family Labor Requirement. RurAL CAP favors a more flexible approach to the family labor requirement, and does not oppose the proposed reduction from 65% to 50% of total labor to be performed by homebuyers. We encourage USDA to allow state offices latitude in setting labor requirements that are responsive to local conditions, including nontraditional modes of crediting labor contributions, such as work on a modular home unit in an off-site facility. Such flexibility will enhance our ability here in Alaska to eventually offer the program in more remote areas that are not served by the road system and have extremely short building seasons.

Evaluation Criteria. RurAL CAP opposes the plan to forbid renegotiation of the total number of units to be developed. During the course of any building project, there are multiple variables that must be managed, including site acquisition and development, recruiting homebuyers, bidding and shipping building materials, arranging financing, and organizing the work groups. Often, circumstances beyond the control of the grantee/developer result in increased per-unit costs. Losing the ability to negotiate with USDA in these kinds of circumstances would jeopardize the program, and place at risk the homeownership dreams of many lower-income families in the face of rising fuel, land, and material costs, as well as unpredictable weather.


Minimum Equity Requirement. In communities where there exists an active housing market, a minimum equity requirement may be defensible. However, many areas where the self-help program is building homes have little home sales activity, or depressed markets. It is our vision to take the self-help program into areas of rural Alaska where these conditions are the norm – these are the areas of greatest need. The proposed minimum equity requirement is arbitrary and counter to the purpose of the program.

Prohibition on Overlapping Service Areas. RurAL CAP agrees in concept with the proposed prohibition on overlapping service areas. In Alaska, the two grantees work closely together to identify which organization is going to serve which areas. This helps to keep our programs better targeted geographically, and we believe facilitates marketing of the program. Prospective applicants know which agency offers the program in their area. We realize that some agencies in the Lower 48, where there are many more grantees, may have a different position on this issue. We suggest that a middle ground be explored, one that allows for multiple agencies to serve a single area, but with the mutual consent of all grantees serving that area. What constitutes a “service area” should also be defined in a way that makes sense of local geography and settlement patterns.

Increasing Predevelopment Grants. We support increasing self-help predevelopment grants; however, the proposed increase (from \$10,000 to \$15,000) is not adequate to defray the costs of site selection and homebuyer recruitment. In our own case, we have had to seek non-USDA funding to pay these costs. We urge consideration of a predevelopment grant limit of \$25,000 to \$30,000, while maintaining the existing range of eligible uses of the funds.

Once again, thank you for the opportunity to comment on the proposed regulations.

Very truly yours,
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		RurAL CAP Healthy People, Sustainable Communities, Vibrant Cultures
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